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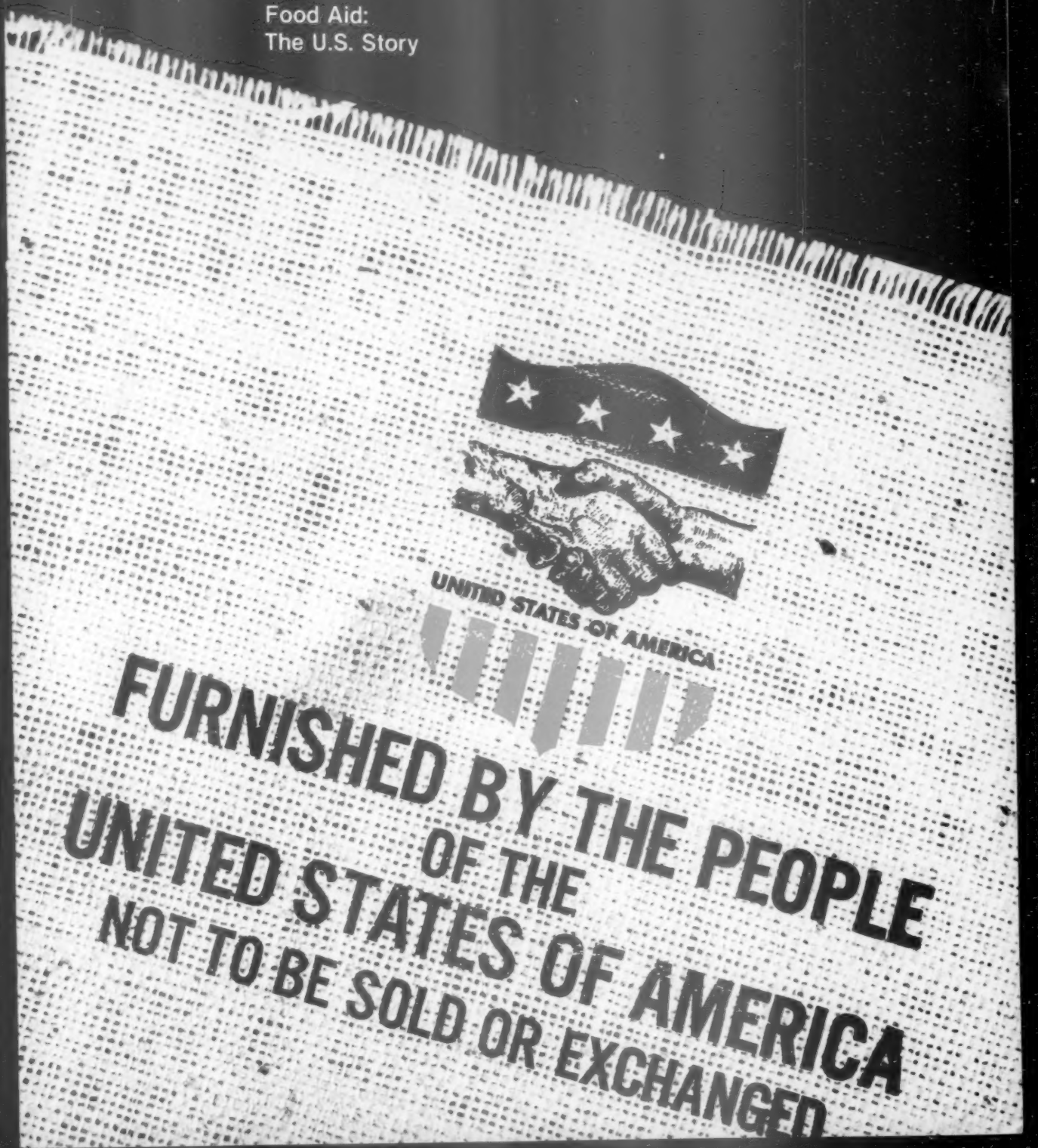
October 1984

Food Aid:
The U.S. Story



Marketing News

MEF Director Sees Growing Egyptian Demand For U.S. Meats

Egypt is one of the fastest growing markets for U.S. beef products in the Middle East, according to Buddy Yeiser, the **U.S. Meat Export Federation's (MEF)** European director. Egypt increased it imports of U.S. beef variety meats (primarily beef liver) by 178 percent last year, said Yeiser, from $7.4 million to $20.5 million. He also sees some limited potential for high-quality beef sales to Egypt's top hotels and restaurants.

Cooperators Team Up To Improve Venezuelan Dairy Industry

Six market development cooperators have teamed up with public and private Venezuelan groups to boost Venezuelan dairy production and create a new market for U.S. feeds.

The six groups are the **U.S. Feed Grains Council (USFGC), Holstein-Friesian Association of America, the American Soybean Association, the Brown-Swiss Cattle Breeders Association, the National Association of Animal Breeders and the National Renderers Association**.

Venezuela's ability to produce food by traditional methods is being outstripped by increased population growth. One of the most striking examples of this deficit is in milk production, where the gap between domestic production and demand is 47 percent.

To close this gap, Venezuela has turned to the cooperators for help. One of the first activities was a USFGC survey of the Venezuelan dairy industry, which pointed out a number of constraints to increased milk output. Nutritional deficiencies are at the top of the list. Energy, protein and mineral deficiencies together account for the current low average milk production per cow of barely four liters per day (compared with 15.1 liters in the United States).

In addition, the survey found that many Venezuelan dairy producers lack information on crucial aspects of dairy production, such as disease control, sanitation and management. Even if the information did reach the individual dairy producer, yet another constraint would limit its application: Venezuelan dairy farmers do not receive much of the government dairy subsidy. Most of that money is allocated to middlemen who transport milk from farms to receiving centers further along the marketing chain. Consequently, there is little economic incentive for dairy producers to improve either the quality or quantity of their product.

For U.S. feed grain producers, there are considerable market opportunities ahead for expansion in the Venezuelan dairy sector. The addition of only two kilograms of feed grains per day to the ration of traditional Zebu cattle in Venezuela can increase milk output per cow by 33 percent in a 200 to 220-day lactation period. If these recommendations were followed, Venezuelan feed grain import demand could increase by as much as 400,000 tons a year, according to USFGC. Given the current 80-percent U.S. market share in Venezuela, that translates into a 320,000-ton gain in sales of U.S. feed grains. In addition, imports of badly needed dairy cattle by the Venezuelan dairy industry would almost certainly result in greater consumption of feed grains and consequently spur even greater import demand.

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Processed grain products, donated under P.L. 480, help supplement world nutrition while building markets for high-value U.S. foods.

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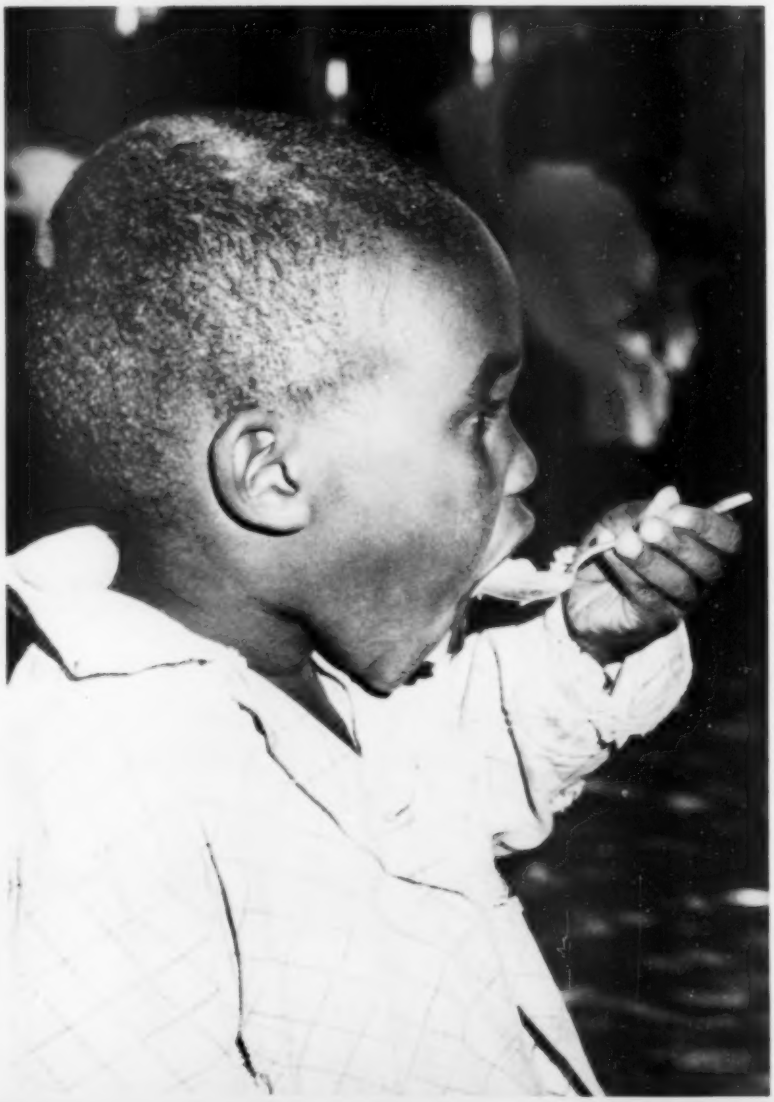
Food Aid: One Perspective

World Food Day Commemoration

Nearly 160 nations and numerous international organizations are supporting World Food Day this year, which will be celebrated on October 16.

Since its inception in 1980, this day has provided an opportunity for those nations involved in food aid to assess the effectiveness of their efforts—and has served as a forum for the discussion of future aid efforts.

This issue of Foreign Agriculture presents a variety of perspectives on U.S. food aid over the years.



By Melvin E. Sims

Problems of world hunger and the provision of adequate assistance to needy people were not recognized as a global responsibility until the early 1940s.

In 1943, the United States hosted the Hot Springs Conference, which led to the creation of the Food and Agriculture Organization (FAO) and later to the World Food Program, which today is the largest provider of world food assistance.

The Hot Springs Conference enunciated the following principles for assistance, which are still germane today:

—The first cause of hunger and malnutrition is poverty. It is useless to produce more food unless men and nations provide the markets to absorb it.

—The primary responsibility lies with each nation for seeing that its own people have the food needed for life and health.

—Freedom from want is difficult to achieve without concerted action among all like-minded nations.

—The achievement of freedom from want requires a permanent organization in the field of food and agriculture.

World Food Conference Emphasizes Multilateral Effort

An important benchmark in the effort to alleviate world hunger occurred in 1974, when the United Nations convened the first World Food Conference.

This conference emphasized, as no previous meeting had, the complex nature of the world food problem and the need to solve it through an integrated and well-coordinated multilateral approach within the framework of economic and social development.

An outgrowth of the conference was the establishment of a number of multilateral organizations, among them the World Food Council (WFC), to work

on the hunger problem. The Council was also supportive of the establishment of the new International Fund for Agricultural Development (IFAD). The IFAD was important because a major thrust of this conference was the need to increase food production.

Progress Over the Past Decade

During the 10 years since the conference, the Food and Agriculture Organization, the World Bank and regional banks, along with the IFAD and other entities have greatly increased the resources devoted to the development of the food and agricultural sectors of developing countries.

For example, the funding for the World Food Program alone increased from $264 million in 1973-74 for development projects and emergency operations to nearly $900 million in 1983.

How U.S. Assistance Fits In

While various U.S. church and voluntary agencies have a very long history of donating food for international relief, the U.S. government did not undertake overseas food relief programs in a meaningful way until the mid-1940s.

At that time, in response to critical shortages in Europe, North Africa and the Far East, President Truman initiated a nine-point program in support of food conservation in the United States in order to allow greater supplies for overseas shipment.

Aid resources and deliveries were greatly increased in the late 1940s. In 1948, the European Recovery Program, known as the Marshall Plan, provided the basis for raising agricultural production and productivity in Europe.

In 1949, Section 416 of the Agricultural Act authorized the donation of surplus commodities owned by the Commodity Credit Corporation to needy people overseas. This act also provided for distribution of commodities donated through the voluntary agency structure.

This act was the forerunner for some provisions of Public Law 480 (P.L. 480).

FAO

FAO

Food for Peace Gets Its Start

By the early 1950s, U.S. farmers' production capability had far outstripped domestic demand, encouraging a greater emphasis on international trade and effective distribution systems.

This effort culminated in the passage of the Agriculture Trade Development and Assistance Act (Public Law 480), popularly known as the Food for Peace Program.

The first P.L. 480 agreement—a concessional sale to the government of Turkey—was signed on Nov. 15, 1954, and had a market value of $17.3 million. By 1957, the program had reached a peak of over $1.9 billion.

While dropping to about $1.2 billion annually during 1958-60, the program returned to the $1.5 billion level during the first half of the 1960s, in response to a famine-threatening drought in the Indian subcontinent.

In fiscal 1984, the United States will spend about $1.6 billion under P.L. 480 to purchase and transport an estimated 6 million metric tons of food to more than 80 nations. In addition, approximately 200,000 tons of dairy products will be committed under Section 416 of the Agriculture Act of 1949.

Toward More Effective Food Aid

P.L. 480's provisions have changed considerably over the decades in order to make it a more effective food aid tool.

Prior to 1966, most food aid fell under Title I of P.L. 480—which permitted sales of U.S. agricultural products for local currencies abroad under government-to-government agreements.

The Food for Peace Act of 1966 combined the old Title I—sales for local currency, and the old Title IV—sales for dollar credits, into a new Title I authorizing sales for payment in local currencies and on credit terms for dollars or for currencies convertible to dollars. Agreements providing for sales for foreign currencies were completely phased out by Dec. 31, 1971.

Also, as a result of the 1966 amendments, U.S. aid was no longer limited to surplus commodities, but encompassed commodities determined to be available by the Secretary of Agriculture. The new rules also required food assistance to be more directly linked to efforts to increase food production in recipient countries.

To strengthen the flow of food to needy people, the commodity donations provisions of the old Title II and Title III were combined into a new Title II. This new title authorized donations of food for alleviating famine and for other urgent or extraordinary relief; for combatting malnutrition, especially in children; for providing economic and community development; and for assisting needy persons and nonprofit school feeding.

In 1977, further changes were made to strengthen the developmental nature of the program. A new Title III, known as the Food for Development Program, was established which allowed funds from the sale of P.L. 480 commodities in an importing country to be applied against the country's Title I repayment obligation, when such funds were used for mutually agreed-upon development projects and policies.

This was another step toward effectively linking food aid with increased agricultural production and development.

More recently, partial sales have been permitted under certain Title II programs to provide food and distribution to areas otherwise inaccessible or to provide development incentives.

Also, under Title II, the United States has increased its pledge to the World Food Program to $250 million for the 1983-84 years.

USDA's Role in Food Aid

The U.S. Department of Agriculture has always had a major role in the U.S. food aid effort. It worked first with the United Nations Relief and Rehabilitation Association, then FAO, and finally the World Food Program.

FAO photos

In the 30 years since the inception of P.L. 480, USDA has helped provide over $33 billion in food assistance to millions of people in over 100 countries.

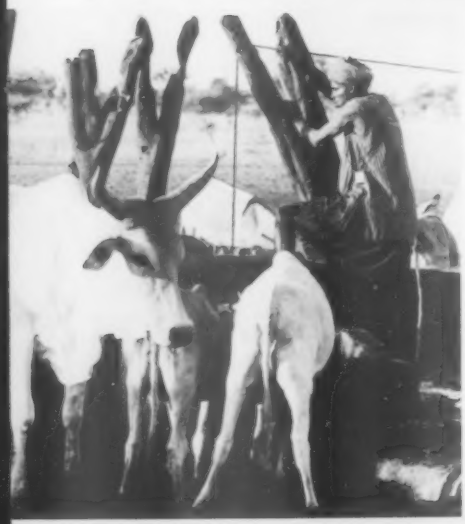
Measuring Food Aid Success

Success in food aid is not only the distribution of increased quantities of food. It must also reflect increased production in the agricultural sector and significant gains in consumer-effective demand. These can result in increased commercial trade.

By these measures, global efforts to solve the world's problems of hunger and development have met with mixed results.

Rapidly rising populations have negated much of the gains in agricultural production over the past decade.

At the same time, incongruous trade and agricultural policies of some importers and exporters have insulated



domestic production from international trade, creating distortions and damaging fluctuations in both price and production levels.

So, despite improvements in production and expanded food aid, hunger is still a problem for millions of people. However, nutrition has improved for many.

New Approaches Required Over the Long Term

The food and agricultural sector often is a barometer of economic vitality within developing countries and merits high priority by both government and private sector decisionmakers.

Food sector strategies are one tool to achieve this high priority. These should include provisions for the development of human resources and reflect overall development plans. Finally, such strategies must be implemented effectively.

Developmental efforts should be oriented toward self-reliance, rather than self-sufficiency, and emphasize economic advantage.

In many countries self-sufficiency in agriculture—producing all agricultural requirements—is not an achievable or even feasible option. Rather, achieving economic self-reliance through domestic production and external trade offers benefits to both developing and developed countries.

However, world hunger and its related socioeconomic problems are long-term problems that will not be eradicated in a decade.

Population continues to experience rapid growth in Third World regions such as southern Africa, in which per capita food production remains near levels achieved a decade ago.

Natural disasters—such as drought, floods, and insects or diseases—and manmade problems of political instability and ineffective economic growth policies are additional reasons for a cautious outlook.

If the world is to meet the challenge of eradicating hunger, both developing and developed countries will need to make a strong commitment over a long period of time. ■

The author is the General Sales Manager and Associate Administrator of FAS. Tel. (202) 447-5173.

The World Food Situation: Despite Progress, Much More To Do

FAO photos

By Richard Kennedy

When people discussed the world food situation a decade ago, talk often revolved around the question of whether the world was "about to run out of food" because burgeoning populations were overwhelming scarce productive resources.

In the past decade, there has been substantial progress in alleviating world food problems, although the tasks remaining are formidable. Current efforts to improve the production and distribution of food may be regarded, in the long run, as a strategy for buying time that will allow population growth to be stabilized before it can swamp productive resources.

Population and Food

When the World Food Conference met in 1974, many viewed with misgiving the prospect of world agricultural production keeping up with the needs of a population that gave prospects of doubling every 36 years. World population was growing then at about 1.9 percent a year, compared with about 2.1 percent a decade earlier.

Progress has been made. By 1984, that rate had fallen to about 1.8 percent, and most projections indicate further reductions. Even so, the world is now called upon to produce enough additional food each year to feed the 80 million people added to the earth's population.

The industrialized developed countries (including the USSR and Eastern Europe) have moved closer to stabilizing population. Their population now grows, in aggregate, about 0.7 percent annually, and the rate will likely slow further.

The developing countries (including China), with a total population three times that of the developed countries, have a lot further to go to stabilize population growth. But they have made a significant start.

In aggregate, their rate of growth has slowed from about 2.3 percent a decade ago to under 2.2 percent now, and is projected to fall to about 2.0 percent by 1994.

Achievements in Food Production

The largest gains in food production over the past decade have been in the developing countries, about 3 percent annually on average. But because population is growing most rapidly there, per capita output has increased only a little more than 0.5 percent annually.

Some regions, including South America, East Asia, Southeast Asia and China have done much better. But per capita food production in sub-Saharan Africa—one of the few regions where the rate of population growth is still increasing—has been declining over the past decade.

India's success in boosting food production, although modest on a per capita basis, has been particularly noteworthy. Predictions in the early 1970s of large-scale famine were not confirmed, thanks to energetic agricultural development and a successful stocks policy.

Partly as a result of production increases, more people—representing a higher percentage of the world's population—are eating better than at any other time in history.

This gain in the standard of living occurred at a time when the real price of food relative to other commodities was falling. Gains in productivity resulting from technological advances were successfully overcoming resource constraints.

But trade and food aid also contributed to improved nutrition as more and more countries came to rely on food imports from a relatively few food exporting countries, led by the United States, to supplement domestic production. Such imports have not necessarily been the result of failures in domestic food production.

For many countries, food imports are a consequence of rapid income growth and represent an efficient allocation of resources, especially when they have a comparative advantage in producing other commodities for export.

Persistence of Hunger

Despite these achievements, large numbers of people still do not have access to an adequate diet, and the number may well have increased in absolute terms over the past 10 years.

The United Nations Food and Agriculture Organization estimates the number of undernourished to be in excess of one-half billion people. Most of these people are in Asia and Africa, and the principal thing they have in common is that they are poor. A large proportion of them are young children, the nursing mothers of young children and the very old.

Many of the largest increases in per capita food consumption were in the less affluent developed countries and in a relatively small number of developing countries. Diets improved much more modestly in the poorest of the developing countries, and per capita consumption deteriorated in some, especially those in sub-Saharan Africa.

Future Demand for Food

The future appears to be one of a continued slowing in population growth. Rates should drop from about 1.8 percent annually now to something under 1.7 percent in a decade.

However, much of the eased pressure on food supplies from slowed population growth will be offset by more people in the most physically active age groups, requiring more energy, compared with the current heavy concentration of children.

These increases in population are not likely to be reflected in an equivalent increase in the effective demand for food because of the persistence of poverty in the developing countries where most of the population growth is taking place.

Buying power is still, and will remain, the most important factor in determining who will have adequate diets. The absence or weakness of buying power by individuals, groups and nations explains how hunger can continue to exist alongside surpluses and low prices for food in major exporting countries such as the United States.

The progress of developing countries in generating both overall economic, as well as agricultural, growth will largely determine how much progress will be made in alleviating hunger over the next decade.

Food aid can supplement the buying power of the poorer food-deficit countries—reflecting the buying power of donor country taxpayers. However, the magnitude of food needs in the developing countries is too great to be met without substantial efforts either to increase food production in those countries, or to build up export industries with which to finance food imports

The sharp slowdown in recent years of the relatively fast growth rates for the economies of developing countries, partly in response to worldwide recession and higher energy costs, has raised serious questions about how soon and strong will be their economic recovery.

The less income that is generated in these countries, the less likely will be the rapid spread of the ability to buy food among the population, and the less likely domestic producers will respond with increased output.

The heavy burden of debt service carried by many developing countries competes both with needed food imports and with agricultural investment for scarce foreign exchange. An improvement in this situation will depend upon economic recovery in the developed countries generating demand for the products of developing countries themselves.

Because of these problems, economic growth in developed countries over the next decade may fall considerably short of the 5-percent average annual growth achieved over the past two decades. This could seriously restrain improvement of diets there.

Future Food Supplies

The adoption of existing and new technologies aimed at increasing yields will be the source of almost all future increases in food production. Although only one-half of the world's arable land is under cultivation, the cost of bringing more of it into production is likely to be unacceptably high,

compared with the greater economic feasibility of adapting more productive agricultural technologies.

The rapid spread of irrigation technologies over the past two decades, together with substantially larger applications of fertilizers and adoption of new plant varieties, have been a major source of growth in food production.

The nearly 15 percent of the world's cropland that is now irrigated accounts for more than 40 percent of world food production. World water resources are adequate to support further increases, although some regions face serious water constraints. In addition, improvements in water management and water-conserving technology will be needed.

Substantial further gains also are expected from the other elements of the package of already proven technologies that were responsible for the increase in food production over the past decades, such as improved plant and animal breeding, fertilizers and pesticides.

These known technologies have not yet been fully exploited, and new technologies are coming on stream that will lead to further advances in resource productivity and in resource conservation.

The main thrust of future technology is likely to be in the areas of genetic engineering, especially tissue culture and cloning, resource conservation and better management through electronic information systems.

Most analysts are more optimistic than at the time of the World Food Conference that the world has the physical and technical resources to produce adequate food for all over the next couple of decades.

It will require continued emphasis on investment and the adoption of appropriate agricultural policies in the developing countries that provide adequate incentives to their farmers. These countries will still need help in obtaining critical resources and technology from the developed countries.

But merely increasing agricultural production will not eliminate hunger. Economic growth and more widely distributed income in the developing countries are essential to providing adequate diets.

Progress in alleviating hunger will likely continue, but not all countries will likely share equally in the gains. Thus, trade will continue to play an important role in meeting food needs. Food aid could become increasingly important to maintaining nutritional levels in those developing countries whose economies lag behind.

Much of the world will continue the trend towards increasing dependence on food imports from a small group of exporters, led by the United States, to meet growing food needs, although the expansion will not be as great as in the 1970s. ■

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Changing Conditions Call For New Export Initiatives

By Mary Chambliss

To counter recent declines in U.S. agricultural exports, the Foreign Agricultural Service has stepped up its efforts to expand overseas sales.

Credit programs are the cornerstone of a broad-based market development effort that has worked well to help combat the problems of recession and financial constraints, especially in developing countries.

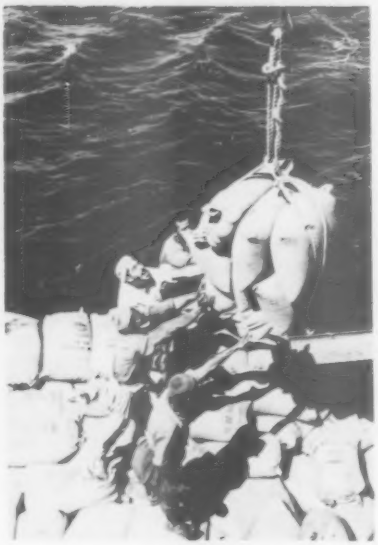
USDA's Export Credit Guarantee Program (GSM-102), for example, has assisted exports of over $4 billion of U.S. farm products in the last year. The program has grown rapidly since it was launched in the late 1970s. In 1981, the program was authorized $2.3 billion; this past year it has received $4.5 billion and credit authorizations are expected to continue at high levels.

Credit guarantees protect exporters and financial institutions against loss from nonpayment due to commercial and noncommercial risk by transferring that risk to the Commodity Credit Corporation (CCC). This has facilitated U.S. exports and has helped meet competition from other exporters.

Brazil, Ecuador, Egypt, Iraq, Jamaica, Korea, Mexico, Peru, the Philippines, Portugal, Tunisia, Yugoslavia and other countries have participated in the program. It is available to guarantee exports of generally any agricultural commodity and the major products shipped under the program have included wheat and feed grains, oilseeds and products, cotton, tobacco and forestry products.

Direct export credit, under the GSM-5 program, is another commercial tool used to reinforce and complement a variety of other market development activities.

A new approach, combining credit guarantees with interest-free government credit was initiated in 1982 to move more U.S. agricultural products into foreign markets. Blended credit financing of over $440 million last year helped sell more than 3 million tons of farm products to overseas buyers. This year the program is being targeted to combat European Community subsidies.



Food Assistance Also Means Exports

In addition to credit programs, food assistance efforts contribute to U.S. agricultural exports. These programs, primarily the Public Law 480 Food for Peace (P.L. 480) Program, are especially important during periods of food shortages and economic difficulties in developing countries.

Since P.L. 480 was enacted in 1954, over $33 billion of commodities have left the United States under the Food for Peace Program.

Two types of assistance are provided:

Under Title I, long-term concessional sales are made to friendly countries for terms of up to 40 years' repayment, with a 10-year grace period, at very low interest rates.

Under the Title II donations programs, the United States gives commodities to needy people and also pays for shipping them.

Under Title I, $800 million of commodities—mostly wheat, rice, and vegetable oil—were exported to over 25 countries this year. The major participants were Bangladesh, Egypt, Indonesia, Morocco, Pakistan and Sudan. This is expected to increase to almost $1 billion of commodities this year. The expansion of this program provides a means to continue U.S. exports to developing countries during their current difficult economic situations.

Both the P.L. 480 Title II program and the revamped Section 416 program provide donations of U.S. agricultural commodities to help feed needy people suffering from malnutrition. Food is provided through clinics which help children and their mothers, through school lunch programs, and as payment for work on economic development projects, such as road building.

Section 416 provides for donations of dairy products from CCC stocks. In fiscal 1983, the first year of the program, the United States committed 100,000 tons of dairy products. This year the level may reach 200,000 tons.

Through these programs, the U.S. government can respond to emergency situations, such as the current drought-related food shortages in Africa. Among the commodities donated are processed food products such as corn-soy-milk, a wheat-soybean blend, nonfat dry milk, soy-fortified flour and cornmeal.

New Programs Move Farm Products Overseas

Under the authority of the CCC charter, direct commercial sales and barter arrangements are also carried out to meet marketing requirements.

In fiscal 1983, direct sales of commodities reached over $90 million. Barter activities projected for the current year are valued at slightly over $30 million. The major barter deal has been the exchange of U.S. dairy products for Jamaican bauxite.

The combination of these various export tools is being used aggressively both to generate immediate U.S. agricultural exports and to develop longer term markets for U.S. farmers. ■

The author is Director, Program Analysis Division, FAS. Tel. (202) 447-3573.

Title I—Building Commercial Expertise at Home and Abroad

By Connie Delaplane

One of the provisions of the Public Law 480 program—as it is officially known—is Title I, which offers long-term credit arrangements under favorable interest rates to enable countries to buy U.S. agricultural products.

One of the lesser recognized benefits of Title I over the years has been the hands-on experience it has offered foreign participants in the business of importing U.S. agricultural commodities.

Title I operates as much as possible along commercial lines. Recipients must ask U.S. suppliers to submit bids for U.S. commodities. Countries either send representatives to the United States for a short time to oversee the buying or instruct personnel assigned here to handle the transactions.

For example, teams from official importing agencies in Bangladesh, Sri Lanka and Costa Rica work with their embassy counterparts in Washington to conduct freight and commodity tenders. Peru, among others, has permanent representatives of food importing agencies stationed in the United States to handle Title I tenders, as well as commercial business.

Private U.S. firms often assist Title I countries, acting as official purchasing/ shipping agents. These firms, nominated by the importing countries and approved by the Foreign Agricultural Service (FAS), provide trade advice in accordance with P.L. 480 regulations and procedures. They also offer guidance on other trade-related matters. For example, they help foreign buyers time their commodity purchases and arrange shipping schedules. This helps importers achieve the most efficient movement of commodities at low freight rates.

Knowing the Ropes Essential To Successful Buying and Shipping

As a result of this program, Title I countries gain experience in a number of areas:

—Grades and specifications of U.S. commodities.

—Purchasing the maximum quantity at the lowest price while meeting consumer requirements.

—Setting up acceptable letters of credit through U.S. commercial banks to conform to the exacting requirements of normal commercial practice.

—Contracting with U.S. commodity suppliers under standard industry export terms that cover arbitration, carrying charges and a number of technical provisions.

—Interpreting trade terminology.

—Understanding discount schedules for variations from standard contract requirements.

—Conforming to U.S. trade practices regarding bid and performance bond requirements.

—Chartering full cargo vessels and booking part cargoes on liner vessels which involve the coordination of "laydays" (schedules for arrival at a U.S. port) with the delivery of the commodity to the port.

—Writing contracts to protect against claims for missed loading or unloading schedules or for cargo not shipped.

—Responsibilities and risks under maritime insurance.

—Trade practices regarding brokers' commissions and load rates for commodities at various U.S. ports.

—U.S. commodity inspection procedures, common types of documentation and fumigation materials and techniques, including in-transit fumigation.

FAS Works Closely With Importers After Agreement Is Signed

In a typical example of this hands-on help, a P.L. 480 agreement is negotiated and signed overseas to provide for the supply of about 50,000 tons of wheat/wheat flour with a maximum value of $7.5 million.

FAS' P.L. 480 Operations Division then issues a purchase authorization. The authorization narrows the type of commodity to be purchased, for example, in this case to just wheat and sets certain broad guidelines for the type of wheat the country may buy.

A further refinement of the wheat specifications is contained in the Invitation for Bids (IFB) issued by the importing country after review and approval by FAS. This IFB may specify western white or soft white wheat only, for example.

FAS works with the U.S.-based diplomatic representatives of the importing countries and the purchasing/shipping agent, if named, to see that terms of the IFB are fair to both the buyer and seller. Also, the IFB must be consistent with U.S. marketing practices for the commodity.

FAS encourages importing countries to require in their IFBs that commodity suppliers open both bid bonds and performance bonds. The bid bond, generally 2 percent of the commodity value, ensures that the supplier's offer is a valid one.

The performance bond, usually 5 percent of the value of the commodity awarded, provides security to the buyer in the event delivery is not made according to the contract terms.

Importers Can Utilize U.S. Expertise For the Best Value

In reviewing the IFBs, FAS often calls on the technical advice of its commodity experts to ensure that the buyer receives the product best suited for the intended use.

For example, one importing country wished to purchase U.S. No. 2 Hard Amber Durum wheat in the belief that certain qualities of that type of wheat were needed to manufacture a particular food product.

FAS specialists advised the country to purchase a less expensive grade on a trial basis. The trial was successful and, as a result, the buyer was able to purchase more wheat with the allocated P.L. 480 funds.

An important asset in this educational process is the agricultural counselor or attache stationed in the importing country.

While FAS staff are working in Washington with representatives of the importing country, similar discussions take place in the country itself. FAS' overseas representatives answer questions about U.S. commodity standards or Title I procedures to help the buyer save time and money.

As a result of this experience in buying U.S. products via P.L. 480, the sophistication of many developing countries as importers in the U.S. market has increased.

In the long run, the P.L. 480 purchasing experience is designed to encourage buyers to turn to the United States for their commercial imports of agricultural products. ■

The author is with the P.L. 480 Operations Division, FAS. Tel. (202) 447-5780.

P.L. 480 Food Aid— Big Success in the Pacific Rim

By David K. Kunkel

Asian countries around the Pacific Rim offer a good example of how well the P.L. 480 food aid program works over a period of time.

With the basic goals of providing humanitarian relief and promoting U.S. agricultural exports, the Food for Peace program has achieved a string of market successes throughout the Pacific Rim. A quick look at P.L. 480 "graduates" shows why.

At the top of the class is Japan, a former P.L. 480 recipient. Japan has long been a billion-dollar cash market for U.S. farm products. And Japan has long been the top single-country market for U.S. agricultural exports.

Over the years, South Korea and Taiwan have also made dramatic advances in going from the status of concessional customers to cash customers. All three of these Asian nations were on the Top 10 list of U.S. farm markets in fiscal 1983.

Asia has shown U.S. agricultural exporters that aid can be a springboard to trade. In fact, it is a tribute to the effectiveness of P.L. 480 worldwide that seven of the Top 10 farm markets last year are food aid "graduates."

And of the Top 10 recipients of U.S. food aid over the 30-year life of P.L. 480, seven are found in Asia.

India heads the list with $6.2 billion worth of commodity transfers during this time. Pakistan ($2.3 billion) ranks third and is followed by Korea ($2.0 billion) and Indonesia ($1.7 billion). Four of the first five recipients border the Pacific Rim.

The Progression of Success

Korea illustrates the progression envisioned when P.L. 480 was first enacted—from concessional sales to credit aid to commercial exports.

Korea is now the fifth largest market for U.S. agricultural goods, taking $1.7 billion worth in fiscal 1983. As the Korean economy expanded during the past decade, the country began to make use of direct financing programs available through the Commodity Credit Corporation (CCC).

While still one of the larger users of the GSM-102 credit guarantee program, Korea is becoming increasingly a commercial market.

India is another example how food aid leads to cash sales for U.S. farmers. The No. 1 beneficiary of P.L. 480 help, India is now able to produce a small surplus of food grains in good years. However, when shortfalls occur, India buys abroad—often from the United States.

Though still a major recipient of Title II humanitarian assistance for needy people, India no longer receives Title I assistance (concessional sales with low interest and long repayment).

Per capita incomes are still low, but India has a broad-based economy that offers increased opportunities for U.S. agricultural exporters as that nation continues to develop its economy.

FAO photos

Although not situated on the Pacific Rim, Turkey has traditionally been a land bridge to the Orient, a meeting place for East-West trade from ancient times down to the present day.

A middle-income country, Turkey also ranks on the Top 10 roster of leading P.L. 480 recipients. After a period of financial difficulties the past few years, the economic situation in Turkey appears to be easing.

Now largely self-sufficient in food grains, Turkey's biggest need is feed grains and protein meals as demand for livestock and poultry products rises. Domestic potential for these commodities is limited, so Turkey must turn to other sources of supply if its livestock and poultry industries are to continue to grow.

Turkey also has the distinction of being the first country to sign a P.L. 480 Title I agreement.

Changes Evident in Other Countries

For countries still receiving sizable amounts of P.L. 480 food aid, progress up the ladder is occurring, although not as great as with the "graduates."

Pakistan was an early recipient of P.L. 480. In the early years, Pakistan's main need was food grains, mostly wheat. There were also some imports of rice, cotton, tobacco and dairy products under the program.

Because of the success of its "Green Revolution," Pakistan is now a net exporter of both rice and wheat. But as incomes rise, demand for vegetable oil and livestock products is also increasing.

Now Pakistan has become the largest U.S. market for vegetable oil exported under both P.L. 480 and GSM-102 programs, and has recently begun to import soybean meal.

Food aid has played an important role in developing the Indonesian market for U.S. agricultural sales, which are now approaching $500 million a year. The P.L. 480 program provides important

access to Indonesian officials responsible for purchasing rice, wheat and soybeans.

P.L. 480 cotton in the early years helped open the market for commercial sales later on. As the Indonesian economy develops and per capita incomes grow, the potential for increased U.S. sales will also grow.

Bangladesh, one of the world's poorest nations with an annual per capita income of only $116, has slowly begun to make progress. In 1978, Bangladesh was the first Asian country in the Title III Food for Development Program. The Title II Food for Work Program also has been successful in providing employment for hundreds of thousands of rural workers in the construction of village roads and canals.

Bangladesh is beginning to meet some of its food needs through commercial purchases. The country is now considered to be sufficiently credit-worthy to participate in the GSM-102 credit guarantee program, reaching the first rung on the ladder of becoming a commercial market.

The Future Challenge

In the past 30 years, many Asian countries have made much progress in providing for the food needs of a growing number of people. When the Food for Peace program began, many Asian nations had large food deficits and limited ability to pay for needed foodstuffs. The United States has headed the list of food donors for nations in need, in Asia and elsewhere.

Despite massive amounts of food aid, the need for assistance still exists—and is likely to increase—in the next century. P.L. 480 shipments go primarily to the developing world. The track record of the past clearly points to the challenge of the future, especially when one looks at population trends.

In its recent Annual World Development Report, the World Bank projected that by the middle of the next century, just one lifetime away, the world's population will double—with virtually all of that growth occurring in the developing world.

Of the 10 most populous countries in the world today, six are in Asia. Only seven countries now have populations exceeding 100 million. Four are in Asia.

Only four nations in the developing world have populations greater than 100 million. But in the middle of the next century, 18 developing countries are projected to be in this category. Of these, nine are in Asia.

Today's P.L. 480 graduates will help form tomorrow's markets. ■

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Food for Peace Program Sets Humanitarian Goals

By Patricia Kiefer

U.S. foods donated under Title II of P.L. 480 have often made a life-or-death difference for victims of earthquakes, hurricanes, volcanoes, floods, droughts and civil strife.

Under Title II of this law, food has been distributed in about 80 countries to approximately 62 million people. The U.S. government purchases commodities for the program and pays ocean transportation costs. Since the program began, 59 million tons of commodities, valued at $10.1 billion, have been exported under Title II.

Last year, 2.2 million tons of food worth almost $500 million, plus transportation costs of more than $200 million were provided.

Twenty-five different commodities are purchased for Title II donations. These range from wheat and wheat flour to a variety of soy-fortified grains and soybean milk blends. Also included are soybean oil, nonfat dry milk, cheese, butter, milled rice, peas, beans and lentils.

Working Together To Help Needy

Administered jointly by the U.S. Department of Agriculture (USDA) and the U.S. Agency for International Development (USAID), Title II activities are carried out by nonprofit U.S. voluntary agencies, intergovernmental organizations and recipient governments.

Voluntary agencies serving as cooperating sponsors include Catholic Relief Services (CRS), Cooperative for American Relief Everywhere (CARE), Church World Service, Lutheran World Relief, American Jewish Joint Distribution Committee, Seventh-day Adventist World Service, and the Cooperative League for the United States of America.

Intergovernmental organizations involved are the World Food Program (WFP), under the auspices of the United Nations and the Food and Agriculture Organization, and the United Nations International Children's Emergency Fund (UNICEF).

The United States works through the World Food Program to respond to world food needs by contributing both commodities and ocean freight under Title II and cash for administrative costs under foreign assistance funding.

The United States pledged $250 million to the WFP for calendar years 1983 and 1984. This is the largest U.S. pledge ever made and maintains the U.S. leadership role in this organization.

The World Food Program also administers an International Emergency Food Reserve (IEFR) which has a 500,000-ton target for emergency food stocks. During fiscal 1984, the United States contributed over 200,000 tons of food valued at $66.3 million through the IEFR.

CARE and the Catholic Relief Services are the two major voluntary agencies using P.L. 480 Title II resources in regular ongoing efforts, especially for maternal and child health programs.

CARE Combats Malnutrition In Sri Lanka

CARE is at work in Sri Lanka, for example, where malnutrition is a serious problem. Surveys in the mid-1970s found that 42 percent of the nation's preschool children were malnourished.

CARE is trying to integrate targeted supplementary feeding into the Sri Lankan health care system. Approximately 650,000 preschool children and lactating women suffering from malnutrition are participating in CARE's "Thriposha" program.

Thriposha, a pre-cooked food blend of corn, soybeans and milk fortified with vitamins and minerals, is distributed at maternal and child health clinics, estates, social service institutions and primary schools. The food is inexpensive to prepare, acceptable to recipients and easy to consume. Nutrition education is another important component of the program.

Thriposha acts as an incentive to get people to a distribution center and to return regularly to receive health services in addition to food. To achieve CARE's nutritional goals, the use of Thriposha must be combined with growth monitoring, immunizations, disease treatment, nutrition education and family planning.

CARE also is promoting the production and use of soybeans among farmers in Sri Lanka, and publishes a newsletter in three languages to provide recipes for fortifying traditional foods.

Catholic Relief Services At Work in Ghana

In Ghana, a program with similar objectives is underway. In that country, Catholic Relief Services' maternal and child health program is trying to improve the nutritional status and growth rates of children under five by improving their diets.

The program teaches mothers good nutritional habits in the overall context of health education, and emphasizes the developmental aspect of food aid. The benchmark indicator of success is a growth surveillance system which uses a weight chart designed for monitoring growth of children and educating their mothers.

Cultural, socioeconomic and environmental factors combine to produce a high incidence of malnutrition and retarded growth among Ghanaian children. These factors include:

—A typically poor diet;

—Low rainfall in major farming areas in 1982, which caused crops shortfalls in basic staples such as maize;

—A sudden exodus of Ghanaians from Nigeria, placing a tremendous strain on an already precarious food situation;

—Bush fires in January and February destroyed thousands of acres of farmland, crops and villages; and,

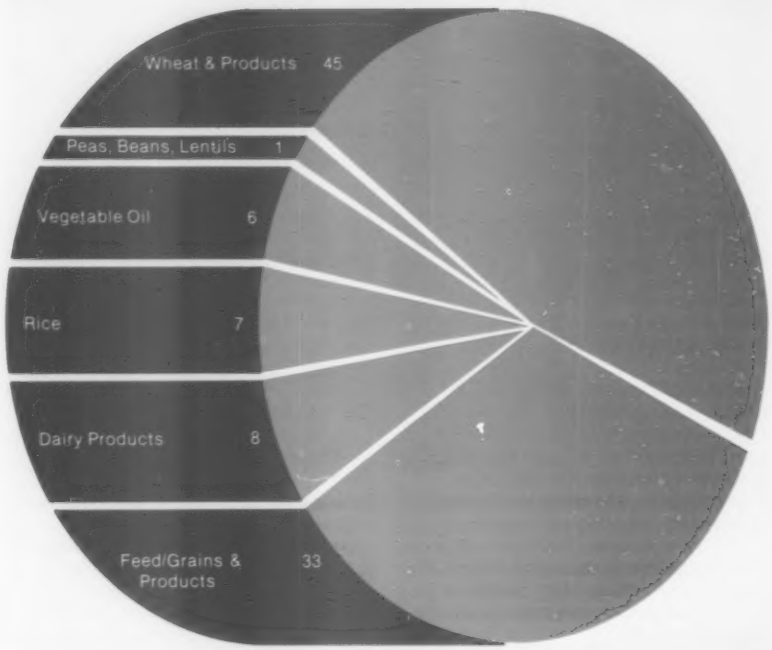
—The general decline of the economy.

To help counter the nation's food problems, CRS supplements the diets of young children with a take-home food aid package that provides both protein and caloric value.

The three foods provided are a vitaminized wheat and soybean cereal with milk, which contains a high proportion of protein and is highly suitable as a weaning food; soy-fortified sorghum grits, a protein-enriched cereal suitable for many Ghanaian dishes; and vegetable cooking oil, which provides calories and enhances the appeal of other foods.

Wheat and Products Top List of P.L. 480 Donations

Percent



Most maternal and child health centers in Ghana are located in rural areas, where children are at greater risk due to lack of nutritional balance and variety and the unavailability of health facilities.

Another important strategy of the program is the involvement of mothers in a broad nutrition and health education context.

When a mother brings her child to a clinic, she not only receives a food supplement, but also an opportunity to learn about nutrition, the preparation of suitable weaning foods and preventive health measures to help her child to survive and grow stronger and healthier. The emphasis is on food as preventive medicine, since resistance to childhood disease is essential to survive in drug-poor Ghana.

In addition, as part of the developmental thrust of the program, approximately 4,000 of the participating mothers are involved in development activities ranging from crop farming to rabbitry. Plans are underway to expand these activities to include fish farming and soapmaking. ■

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Africa: U.S. Response To a Continent in Need

By James Ball

Drought, internal strife and continued lack of sufficient production incentives and technology have intensified the downward pressure on per capita food production in many African countries. As a result, much of the continent is facing serious food shortages.

Monitoring Crisis Since Beginning

The United States has been monitoring the weather crisis in Africa since its beginning in order to assist where possible.

The Sahelian drought first appeared in West Africa in late 1979 before abating in 1981/82.

That drought quickly spread to East Africa, leaving hunger in its wake. The food supply situation was similar to West Africa's. The refugee problem, however, existed on a much larger scale, dwarfing the situation in West Africa.

The South African drought followed the Sahelian drought in 1982, dealing a severe blow to crops in the continent's southern areas.

South Africa's 1982 and 1983 corn crops were about half of normal. On a per capita basis, production was below the 1967-71 average. During the same two years, Zimbabwe's grain production fell to about half of the normal harvest. Other countries in southern Africa also registered severe production declines.

Compounding these shortfalls, worldwide corn production fell, raising prices and making imports more expensive.

As of early August, the shortages caused by the drought were still being felt in southern Africa, which was in its normal dry period. The rainy season in Equatorial Africa was progressing normally in the western countries, with only the eastern countries, such as Kenya and Uganda, suffering from continued severe drought.

The U.S. Response

Personnel of the U.S. government have been in constant contact with volunteer relief agencies and international organizations participating in the distribution of food provided by the U.S. government under Title II donations. U.S. food assistance efforts in Africa have been ongoing. From July 1979 to June 1980, U.S. food assistance to the needy in Africa totaled 588,000 tons, almost all of which was provided through P.L. 480 programs already in place, either Title I concessional sales or Title II donations.

Congress approved supplemental appropriations in July 1980 calling for an additional 150,000 tons of food aid by the end of that fiscal year. As a result of this swift response, commodities shipped under P.L. 480 almost doubled in fiscal 1980, reaching over $293 million in commodity value alone.

Fiscal 1981 became a record year in both the value and volume of food aid provided to Africa. High levels of assistance were also maintained in fiscal 1982 and 1983, while through July 1984 the United States had already provided more than one-third of the amount requested by the U.N.'s Food and Agriculture Organization (FAO).

U.N. Forms Task Force

Also recognizing the persistent problems in Africa, FAO and the World Food Program (WFP) formed a special joint task force to monitor developments there.

Early last fiscal year, the special unit projected that drought-stricken African countries would need cereal imports of 5.3 million tons—2 million above the year-earlier level. Included in this was a food aid requirement of 1.7 million tons for the 24 African countries most seriously affected by drought. Later, this was increased to 3.3 million tons.

During fiscal 1984, the United States maintained its position as the leading food donor to African nations.

As of midsummer, 2.3 million metric tons of food aid had been committed by all donors to meet a 3.3-million-ton deficit in food aid for 24 African countries. The U.S. share was 1.2 million tons through P.L. 480 Title I/III and Title II in fiscal 1984. ■

FAO

The author is assigned to the Program Development Division, FAS.

U.S. Food Aid Builds Markets For Processed Grain Products

By Robert D. Fondahn

As many of the world's nations strive to improve their diets, processed grain exports from the United States have helped to fill the bill, gaining a high level of acceptance because of the market exposure they receive through Title II of Public Law 480, the U.S. food donation program.

Of the 2.2 million tons of U.S. commodities approved for distribution under Title II in fiscal 1984, nearly 750,000 tons will be in the form of processed grain products.

Once restricted to surplus bulk commodities like wheat, rice and feed grains, the U.S. food donation program was amended in 1966 to allow processed and enriched commodities to enter the program and supplement the world's nutritional requirements.

Processed grain products now available for donation under Title II include bulgur, soy-fortified bulgur, corn meal, soy-fortified corn meal, wheat flour, soy-fortified wheat flour, soy-fortified sorghum grits, soy-fortified rolled oats and blends of corn, soybeans and milk and wheat, soybeans and milk.

These products have attained a high degree of acceptability because of their nutritional value, palatability, versatility of use, ease of preparation and good storability.

Many of these products have an amino acid profile and protein content comparable to meat and milk. Yet they are priced at only a fraction of what animal protein would cost in most developing countries.

Foods Are Targeted to Needs

Since the Title II program focuses on segments of the population requiring additional nutrition, commodity selection is normally based on the specific needs of the recipient groups.

Blended foods using corn or wheat with soybeans and milk are ideal for mother-child health centers where infants and pregnant and nursing women receive nutritious meals or are given small amounts to take home.

FAO

Other products are used more extensively in pre-school and school lunch programs, in emergency feeding situations, or in food-for-work projects where workers are paid in food rather than money.

Title II Opens Way for Commercial Sales

The use of processed grain products goes beyond the Title II program. Private industry works with the Foreign Agricultural Service to develop commercial markets, particularly in countries that have made a commitment to improve the nutritional intake of their people.

U.S. market development cooperators work closely with food technologists, nutritionists and foreign government officials to introduce processed foods into the market or incorporate these products in a variety of local foods.

In Chile, for example, government officials and importers are being encouraged to purchase foods previously imported under Title II as a means for continuing the dietary programs already in place.

The Jamaican government has adopted a nutritional policy aimed at improving the diets of school children, malnourished children and pregnant and nursing mothers. As a result, Jamaica is importing processed grain products, under the long-term credit terms of Title I, for use in the school lunch program and in government clinics.

In Syria, the biscuit manufacturing industry is fortifying its traditional biscuit with an instant blend of corn, soybeans and milk as part of the government's effort to upgrade the diets of its people. The product is now being test-marketed in several cities. If sales are successful, large-scale production will follow and promotions will be launched in other Middle Eastern and African countries.

In short, Title II now serves as a market development springboard for introducing high-value, highly nutritious foods. And it is building lasting commercial markets for U.S. processed grain products, too. ■

The author is president of Protein Grain Products International, McLean, Va. 22101. Tel. (703) 821-3717.

Country Briefs

Brazil and Argentina

Agreement Signed on Freer Trade

Brazil and Argentina have signed a memorandum of understanding promoting freer trade, which in the future could increase competition from Argentina, particularly for wheat, in the Brazilian market.

The understanding covers a number of commodities including wheat, rice, corn and sorghum. Basically it provides for the easier flow of agricultural products between the two countries by equalizing tariffs for exports and imports according to each product, abolishing administrative controls in the release of export and import permits and granting preferential treatment for their products over third countries, both for commercial and government purchases.

The memorandum also provides for the coordination of tax treatment, the establishment of information mechanisms for coordinating commercial and agricultural policies, speedier customs procedures for perishable products and the establishment of common rules in the field of animal and plant health.

This action is reportedly the first step towards a "common market" and Uruguay is expected to sign a similar agreement with Brazil in the future. *—Lyle Sebranek, FAS. Tel: (202) 447-2009.*

Ecuador

Seed Market Has Good Potential

Ecuador's imports of U.S. seeds are continuing to grow rapidly as the country strives to spur local agricultural production. Imports of field crop seeds—such as hybrid corn, soybeans, sorghum, rice and cotton—have registered the largest gains over the past three years.

The Ecuadorean market for seeds, now about $3 million, is projected to climb to $5 million in two or three years. U.S. seed exporters are expected to capture most of this market growth, particularly since government officials and local producers view U.S. seeds as high-quality, dependable products.

The principal restriction to U.S. seed varieties being accepted by local producers and the government are the many climates in this small but diverse agricultural country. Also, because of its location at the Equator, there are always 12 hours of sunlight. As a consequence, many U.S. and other temperate seed varieties (particularly long-day types) tend to do poorly because they flower too early. *—Leonidas Bill Emerson, Agricultural Attache, Quito.*

France

Grain Sales to USSR Jump Sharply

France's grain exports to the USSR have trended upward from less than 10,000 metric tons in 1970 to a record 4.3 million tons in 1983. The USSR has become the largest buyer of French grains, accounting for nearly one-fifth of the export total in 1983. France, meanwhile, has boosted its share of the Soviet grain market from 4 percent in the early 1970s to 13 percent last year. For wheat, which accounts for the bulk of French grain sales, France's share of Soviet imports has risen from an average of 2 percent in the early 1970s to about 20 percent last year. (In contrast to the gain in French grain sales to the Soviets, U.S. sales have declined in recent years—from a record 17.6 million tons in 1979 to less than 8 million tons in 1983. During the same period, the U.S. share of the Soviet market fell from 62 to 24 percent.)

France's grain exports to the USSR are likely to increase even further in 1984. French production and export availabilities both are expected to be up. The Soviet Union is in the market for French wheat and, according to French trade and official sources, the USSR could buy up to 5-6 million tons of EC wheat (mostly French) this marketing year (1984/85).

French grain sales to the Soviets are being assisted by EC export refunds as well as a trade agreement. In 1983, based on an average subsidy for wheat of $53.12 a ton, export subsidies accounted for roughly two-fifths of the value of French wheat sold to the USSR. *—James Lopes, Economic Research Service. (202) 447-8289.*

Jamaica

No. 1 Caribbean Market For U.S. Soybeans

Because of the strong demand for poultry meat, Jamaica was the No. 1 market for U.S. soybeans in the Caribbean last year. Imports rose to a record 70,000 tons in 1983, with the United States the sole supplier because of product availability, high quality and credit availability.

This year, however, mechanical problems at the Jamaica Soy Products Industries (JSPI), the country's sole soybean crushing plant, shut the plant down for six to eight weeks. This shutdown, coupled with some slackening in demand brought on by a weaker Jamaican dollar and resultant high prices for poultry and vegetable oil, will likely hold imports at about 63,000 tons. Next year imports should return to a more normal 72,000 tons.

Over the longer term, soybean imports should increase as the Jamaican economy is expected to regain its vigor as a result of the Caribbean Basin Initiative and stronger economies in the United States and Europe. —*Marvin Lehrer, Agricultural Attache, Santo Domingo.*

Outlook Good for U.S. Grain Sales

Encouraged by an expanding livestock sector, Jamaica's corn imports (all of U.S. origin) are growing at an average of 8 percent annually and totaled about 190,000 tons during the 1983/84 marketing year. With demand for animal protein likely to remain strong, corn imports are projected to reach 200,000 tons by 1984/85.

Jamaica also upped its wheat and flour imports in 1983/84 with the United States gaining an increasing market share. The long-awaited expansion of Jamaica's one flour mill in mid-1984 should preclude further flour imports and from now on Jamaica probably will import only wheat. Due to quality, consumer preferences and price, the United States has become the major source for Jamaican wheat imports, accounting for 86 percent of the total in 1983/84. A slight gain is expected in the U.S. share during 1984/85.

Jamaica's per capita consumption of wheat—at 82.0 kilograms—is the highest in the Caribbean. Demand is growing about 3 percent a year due to increasing use of bread products. However, recently announced higher prices for bread could temper growth during 1984/85.

The United States also has made great inroads into the rice market once dominated by Guyana. The U.S. share of this market was estimated at 91 percent in 1983/84. Per capita consumption is estimated at 23.8 kilograms. —*Marvin Lehrer, Agricultural Attache, Santo Domingo.*

Japan

Barley Market Offers Opportunities for U.S.

Japan imports about 1.5 million tons of barley annually. This market has traditionally been supplied by Canada and Australia, but during each of the past three years the United States has captured nearly 20 percent of the market. Imports from the United States are now approaching 300,000 tons annually and U.S. exporters should be able to maintain this level if U.S. prices remain competitive.

Barley imports are controlled by Japan's Food Agency, a part of the Ministry of Agriculture, Forestry and Fisheries (MAFF), because barley was traditionally an important staple in the Japanese diet. Import volumes are set each year in late March when the Commercial Feed Division of MAFF estimates expected demand for feed barley during the coming Japanese fiscal year (JFY). The Food Agency of MAFF then buys barley at weekly tenders throughout the year based on this estimate. The size of the tenders is sometimes increased if demand is strong. If demand slows, on the other hand, the Food Agency sometimes skips a weekly tender. The purpose of the weekly tenders is to equalize market fluctuations over the year.—*William L. Davis, Agricultural Counselor, Tokyo.*

Japan

Forest Products Industry Still In Slump

As of mid-1984, the Japanese forest products industry was still waiting for a substantial recovery from the drastic drop in wood consumption in 1981. With relatively few exceptions—such as plywood producers in 1983 and some paper manufacturers this year—the forest products industry has continued to slump. Some encouragement is offered for 1984 by a moderate increase in housing starts and signs of the overall recovery of the Japanese economy.

The most important trade developments involve Japan's adjustments to smaller supplies of tropical hardwood logs from Southeast Asia. Some of the results so far have included rising imports of African logs and Indonesian plywood, and greater interest in softwood plywood production and imports. The situation will become more urgent should Indonesia follow through on its plan to ban log exports beginning in 1985.

The value of U.S. forest products exports to Japan declined by 15.4 percent to $1,079.5 million in 1983 and will probably do so again in 1984, primarily because of smaller log shipments. However, Japan still offers U.S. exporters a wide range of promising market development opportunities for both softwood and hardwood. If the Japanese government lowers its tariffs on paneling products, the opportunities will be even greater.

The Japanese market has great potential for increased use of U.S. hardwoods, particularly hardwood lumber. At this time, the Japanese seem to be most interested in U.S. white oak, but there appear to be opportunities for many other hardwood species, including red oak, alder, cherry and ash. Japanese importers are especially interested in continuity of color, fine grain and zero defects. A Japanese trend toward solid wood furniture also should help U.S. hardwood exports, and more U.S. hardwoods are expected to be used in the production of Japanese flooring.—*William L. Davis, Agricultural Counselor, Tokyo.*

U.S. Malt Becoming More Competitive

Japan imports between 550,000 and 600,000 tons of malt annually, nearly all of which is made from two-row barley. Although Japanese traders rate the quality of U.S. malt very highly, the United States has not been able to compete with prices offered by other suppliers until very recently.

The European Community (EC) has traditionally been Japan's most important source of malt, supplying about one-third of Japan's total import requirements. However, a reduction last year in the European Community's export subsidies for malt from the traditional level of about $100 per ton to about $60 resulted in a decline in imports from the EC. Export subsidies have not yet been set for this year, but traders in Japan estimate that they would fall to about $50 per ton if last year's used formula were used.

Japan's other major malt suppliers include Australia and Canada. Canadian maltsters reportedly benefit from subsidized rail freight rates to Vancouver that help keep Canadian export prices below U.S. export prices. These subsidies are gradually being phased out and this should make U.S. malt more competitive in the long run. Malt exports from Australia are coordinated by the Victoria Maltsters Association, which sets one uniform export price for Japanese brewers. This price reflects Australian market conditions as well as international malt prices set by the EC's subsidized sales.

In 1984, the United States is expected to ship about 40,000 tons of malt to Japan, the first major shipment in recent years. Japanese traders report that U.S. prices are more competitive because of lower EC subsidies and excess capacity in the U.S. malting industry. Since Japanese traders rate the quality of U.S. malt highly, Japan's large malt market offers potential for increased sales if U.S. maltsters can supply malt made from two-row barley at internationally competitive prices.

In addition to malt for brewing and whiskey production, Japan also imports about 5,000 tons of malt a year for specialized uses such as the production of vinegar and confectionery products.—*William L. Davis, Agricultural Counselor, Tokyo.*

United Kingdom

Oilseed Market Undergoing Change

The major features of the United Kingdom's oilseed and products market at this time continue to be: first, the continuing advent of oilseed rape; second, the decline in soybean use; and last, as a backdrop to the first two, the decline in compound feed consumption resulting from the European Community's dairy production cutback program.

Production prospects for the rape crop remain favorable as a result of good weather and growing conditions. Some trade sources indicate that if the good weather holds, the 1984/85 crop could even exceed the current forecast of 750,000 tons. Rapeseed crushers in the United Kingdom faced a bleak economic picture until mid-May, when the European Commission announced a very attractive crushing subsidy for October. Until that time, crushing subsidies for the late spring and summer were small or nonexistent, reducing the profitability of rapeseed crushing.

Soybean crushing activity in the United Kingdom is down sharply, the result of low or nonexistent crushing margins. Trade sources indicate that the outlook for the rest of the year is flat. Edible oil prices are strong, and until the crushing/refining industry finishes the current phase of restructuring, the United Kingdom will be an attractive market for continental oils. Imports of soybean oil will roughly equal domestic production during the current year while rapeseed oil will certainly retain the No. 1 position it had during 1983.

Compound feed manufacturers in the United Kingdom estimate a 25-percent reduction in demand during 1984, a direct result of the reduced requirements of dairy producers who are being forced to cut production. Simultaneously, protein meals in general have come up against serious competition with feed wheat as a compound feed protein source. In addition, soybean meal in particular is at a serious price disadvantage vis-a-vis corn gluten feed, exacerbating the decline in usage of domestically produced soymeal. Thus far, however, imports of soybean meal do not seem to have slackened. What demand there is for soybean meal is being fulfilled by imports, principally from the United States.
—Turner L. Oyloe, Agricultural Counselor, London.

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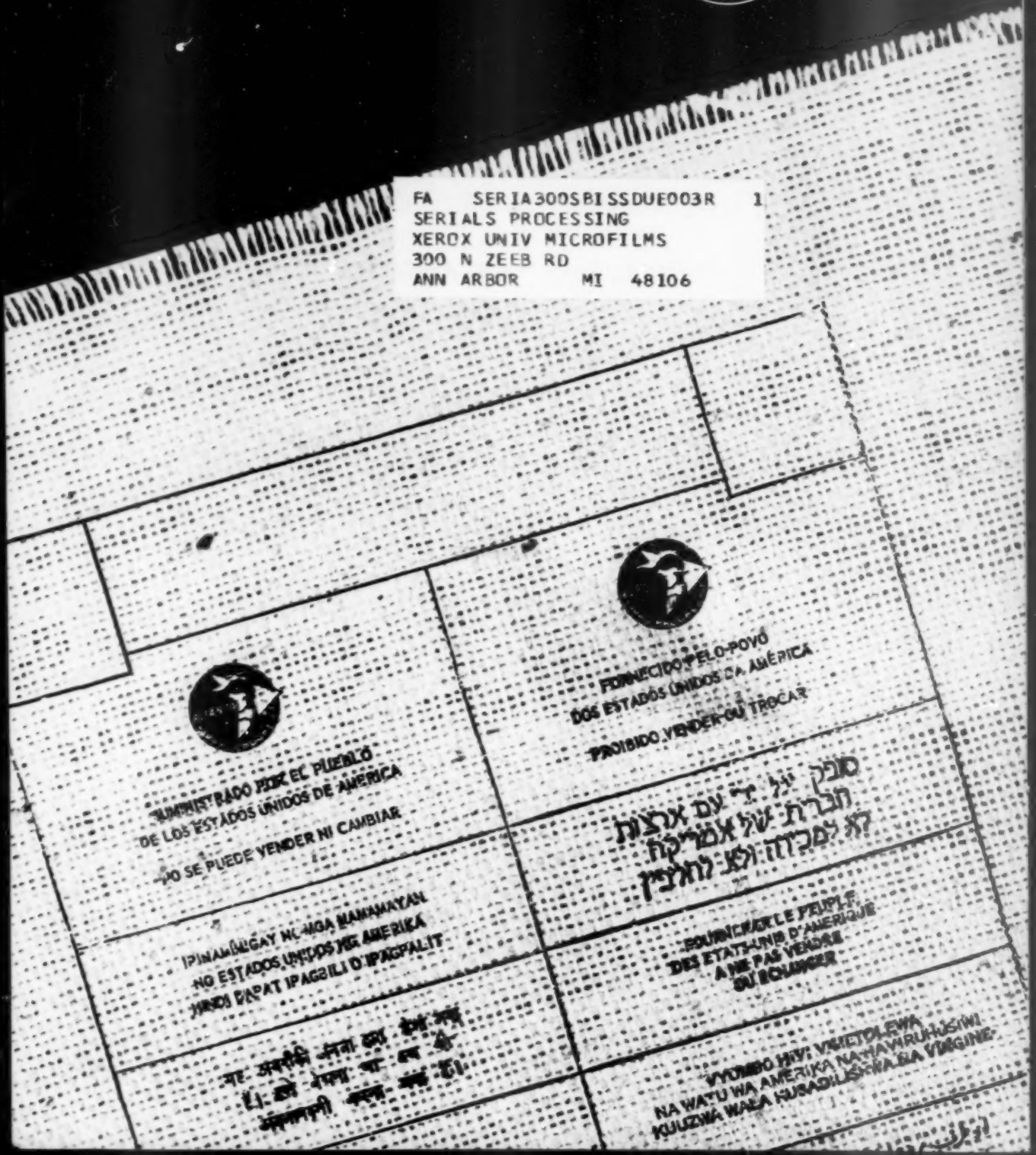
SUMINISTRADO POR EL PUEBLO
DE LOS ESTADOS UNIDOS DE AMERICA
NO SE PUEDE VENDER NI CAMBIAR
FORNECIDO PELO POVO
DOS ESTADOS UNIDOS DA AMÉRICA
PROIBIDO VENDER OU TROCAR
IPINAMAMIGAY NI MGA MAMAMAYAN
NG ESTADOS UNIDOS NG AMERIKA
HINDI DAPAT IPAGBILI O IPAGPALIT
FOURNI PAR LE PEUPLE
DES ETATS-UNIS D'AMERIQUE
A NE PAS VENDRE
OU ECHANGER
VYUMBO HIVI VIMETOLEWA
NA WATU WA AMERIKA NA HAVIRUHUSIWI
KUUZIWA WALA KUBADILISHWA KWA VINGINE